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ABSTRACT

The management of service cutbacks due to reductions in city government budgets is a new and largely undocumented decision-making process. The commonly used temporary measures and across-the-board cuts are both inadequate and inappropriate to long-term economic distress. Those solutions that have been proposed have not been developed into systematic programs. What is currently needed is to move beyond cutback management and view the present economic crisis as an opportunity to review organizational functions and relationships with constituents and to implement organizational change. A general strategy for organizational change includes designing a cutback management policy with the potential for minor changes; assessing the dispositions and strengths of the essential actors; pursuing these actors' support; defending the policy; and developing and maintaining the capacity for entrepreneurship. A more specific strategy based on these general principles is developed by the author to conclude the document. (Author/PGD)

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BEYOND CUTBACK MANAGEMENT:
ALTERNATIVE RESPONSES TO RESOURCE SCARCITY

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BEYOND CUTBACK MANAGEMENT:
ALTERNATIVE RESPONSES TO RESOURCE SCARCITY

The most serious issue in urban management--or at least the one receiving the most comment--is cutback management. Charles Levine (1978) set the tone for much of this discussion when he edited the symposium on Organizational Decline and Cutback Management which appeared in the 1978 Public Administration Review. He began the symposium by writing that governmental organizations are neither immortal nor unshrinkable. During the 1960's and early 1970's, regularly budgeted surpluses, fiscal fat so to speak, became usual and customary in most government budgets. This fiscal fat served as a cushion of spare resources that allowed managers to cope with uncertainty, to risk innovation, and to reward loyalty and cooperation. So pervasive was fiscal fat that virtually all public management strategies at all levels of government were grounded in the unyielding belief that there would be continual and permanent growth in public revenues and expenditures. Then, in the mid 1970's, rampant inflation and a stagnant economy took hold.

Taxpayers began to revolt and prices continued to rise. This two-fisted assualt on the fiscal health of government organizations began to hurt. New York City failed.

Cleveland and other cities tottered on the brink of fiscal collapse. As the financial resources became scarcer, fiscal crisis followed fiscal crisis and discussions of cutback management--the process of reducing or eliminating some government programs and agencies--became commonplace. Indeed, as McCaffery (1981) noted, cutback management has become a respectable, even comfortable, way to talk about doing less, providing fewer services, and diminishing the quality of urban life.

Any complacency in discussing cutback management is, however, dangerous. Urban areas are congested. They contain within their relatively small geographic areas a variety of potentially volatile groups, each with its own hopes and fears, aspirations and desires. It is naive to discuss cutback management in a clinical manner, divorced from the human effects of such cutbacks. Cutback management cuts back services to people. This is the reality of scarce public financial resources. There are no longer enough dollars to meet needs, let alone wants. Decisions are no longer made in terms of who is going to get more, but rather who is going to get less or get nothing at all. The success that urban managers achieve in confronting these decisions will determine whether the problem of resource scarcity leads to a decade of urban violence and environmental turbulence similar to that in the 1960's or to urban governments that are leaner and more focused in the pursuit of publicly accepted goals.

Urban managers need to understand that what is happening now is quite different from previous, temporary periods of fiscal stringency. Merely reducing budgets and increasing efficiency will not adequately resolve the problem. The increased visibility of governmental activities limits the ability of urban managers to make resource reduction and reallocation decisions in the privacy of their offices. This visibility also precludes any expectation that privately made managerial decisions will be implemented with a minimum of bureaucratic and community resistance. In the hard times ahead, urban managers will not only work more often in the public view but also in the role of coalition manager, trying to minimize the contentiousness of employees and citizens directly affected by cutbacks.

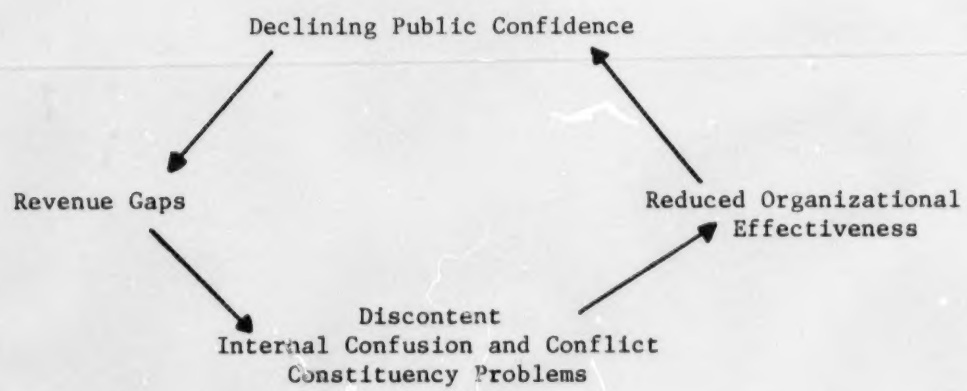
Although the problem of scarce public resources is now years old, we still know relatively little about the actual process of cutback management. Cutback management is a new and largely undocumented decision-making process. Exactly how decisions to reduce and reallocate scarce resources are made and which decision-making processes are most successful remain largely unknown. Often, an urban manager's inital reaction to a gap between revenues and expenditures is to avoid the reality of scarce resources and hard choices by making a few temporary budget and personnel adjustments. This reaction often leads to the commonly used procedures of layoffs based on seniority, hiring freezes or, even worse,

even percentage budget cuts for all programs. Each of these actions provides at best temporary relief and constitutes an inadequate and inappropriate response (Levine, 1978).

The problems of cutback management are complex and the choices are difficult. What is needed is a systematic process designed to identify appropriate programs and agencies for cutbacks and to build bureaucratic and public support for those cut backs. To date, no such process has been proposed. As a result, public organizations forced to institute cutbacks frequently find themselves in a vicious circle of declining public confidence/revenue gaps/reduced effectiveness/ declining public confidence (May and Meltsner, 1981). (See Figure 1).

FIGURE 1

THE VICIOUS CIRCLE OF CUTTING BACK



The absence of a systematic response to the problems posed by cutback management does not mean that no solutions have been proposed. Indeed, there have been a variety of proposed solutions to the economic, political and organizational problems encountered in cutback management. In addressing revenue gaps, public managers can choose to reduce expenditures, to expand revenues, or to do both. Problems with constituencies can be averted by involving groups in decision-making, avoided by making decisions solely on the basic of political criteria, or smoothed by undertaking informational campaigns explaining the rationale for cutbacks. Employee discontent can be reduced by enhancing working conditions, improving the image of public agencies, and increasing pay and benefits (May and Meltsner, 1981).

Another approach to the problems posed by cutback management suggests asking "critical" questions about the internal distribution of resources, the allocation and utilization of personnel, and the priorities of functions (Ruchelman, 1981). These questions then set the stage for developing a program that is presumed to be in everyone's interest and that is cost-saving. Some of the questions identified in this approach are:

1. Identifying the primary goals of the public organization;
2. Identifying the activities that must continue due to legal requirements;

3. Identifying the activities that could be terminated without seriously affecting the overall performance of the public organization;
4. Identifying additional sources of revenue could be used to off-set future reductions in funding;
5. Identifying services that could be provided by other public or private groups;
6. Identifying activities or services that could be provided more effectively;
7. Identifying areas where low-cost, part-time consultant or volunteer labor could be used;
8. Identifying labor where labor-saving technologies could best be used;
9. Identifying demands for various services that could be reduced or where service levels could gradually be reduced or eliminated;
10. Identifying leaderships skills needed to improve or develop the management

of the cutback process;

11. Identifying outside resources that need to be used in guiding the cutback process;
12. Identifying information that needs to be gathered and used;
13. Identifying ways for involving employees in implementing the cutback process, and;
14. Identifying communications techniques so that employees and clients can learn of the problems and propose actions involved in cutback management.

Although this laundry list of "critical" questions does indeed represent a step toward systematic decision-making in cutback management, it is not specific as to how these questions are to be answered and how the answers are to be implemented.

Urban managers need to view the current turbulent environment as an opportunity to examine their organization's basic functions and their relationships with various constituents and to implement positive organizational changes (White, 1973). We need to move beyond cutback management as currently conceived and consider it as a form of organizational change. Some specific organizational change guidelines for cutback management can be

drawn from the literature dealing with that topic. In the remainder of this paper, I shall outline a general and then a more specific strategy for cutback management based on the concept of organizational change.

Literature on organizational change (Beckhard, and Harris, 1977) illustrates that an implementation plan, including an explicit political strategy, is equally as important as organizational design in determining the success of a planned change, particularly when the changes are likely to be controversial. The general strategy identified by Bardach (1972) provides a useful beginning from which urban managers can address the particulars of their own environment. With one addition to Bardach, this general strategy may be summarized as follows:

1. The design of a cutback management policy with the potential for minor change.
2. The assessment of the disposition and strength of the various actors essential to the success of the policy.
3. The active pursuit of these actor's support.
4. The defense of the policy from counter-attack.
5. The development and maintenance of the capacity for entrepreneurship.

The development of a general cutback management plan depends

on both political and organizational factors. The neglect of either significantly reduces the likelihood of success (Pressman and Wildavosky, 1974).

A more specific cutback management strategy assumes that there are leaders--that is, urban managers who have a sense of what they want to achieve through cutback management and a willingness to work to accomplish their objectives. As numerous studies of leadership (Fiedler, 1971) have shown, effective leaders need to be task and relationship oriented. Consequently, any cutback management strategy must include efforts to complete necessary organizational tasks as well as to build support among the community that is served.

Writing a document that describes the principles of the organization should be the first task of such a strategy. This document will provide everyone concerned with a general idea of the organization's objectives. Although such objectives are generally already written, in city charters for example, they are infrequently cited. Because cutback management is a move toward "back to basics" programs, the basic principles of organization need to be stated clearly and used as a framework for decision-making. The principles of organization should be clearly written, yet general enough to leave room for negotiation and compromise. Once the objectives of the organization are specified, it is necessary to identify the major tasks to be undertaken to cutback the organization's activities.

In cutting back an urban public organization, the major tasks include identifying the major policy actors, formulating a plan to obtain the support of these actors, and designing a cutback management plan for the operation of the organization.

Work toward achieving these major tasks has to be integrated and properly sequenced because it is simply not possible to accomplish all the tasks simultaneously. (This is an instance where the critical path method of decision analysis is especially helpful). Flexibility must be the "unseen hand" in this work plan because it is impossible to anticipate all the frustration, obstacles, and new information that will be encountered in the cutback process. Continually monitoring the progress that is being made is the best means of ensuring the necessary flexibility. This monitoring can be done in a number of ways; staff meetings, meetings with community members, using consultants, and meeting with members of other publicly-oriented urban organizations.

Perhaps the most important initial task is developing a commitment plan to obtain the support necessary to develop and implement the cutback plan. A commitment plan begins with the identification of the major policy actors. These actors can be divided into constituencies, which is to say individuals, groups, or organizations with whom an exchange of information and other resources is necessary. The various constituencies likely to be operative in the urban

environment may be divided into three categories: an internal constituency, a community constituency, and a collegial constituency. Using an urban government as an example, internal constituency refers to the organizational membership, including the managers, other staff members, and members of the selected or appointed governing body. The community constituency includes those people who are served by the organization, other publicly-oriented organizations, such as local non-profit human service agencies, and the general public. The collegial constituency consists of other surrounding and cooperating local governments, the state governments, the federal government and special district governments.

Having identified the key actors, it is necessary to use projects (such as the list of questions identified by Ruchelman, 1981) to teach them about the organization's cutback management goals and, eventually, to garner their support. A number of tactics may be used to this end: forced collaboration, where groups are made to work together on the basis of an identified common need to reallocate scarce resources; problem finding, where a number of groups are involved in identifying problems that need to be solved in the implementation of a cutback; and holding group meetings or seminars wherein the goals of the plan are elaborated. The point is that it is necessary to think in terms of constituents who have various attitudes, practices, policies, and reward structures. They also have dissatisfactions

that can be mobilized and satisfactions that can be maintained. By thinking in terms of constituencies, it is possible to implement an effective cutback management plan through an exchange process among the relevant constituencies. Thus, the means of cutback management is establishing and nurturing exchanges aimed at getting commitments, money and people working together toward the reduction and reallocation of scarce resources.

In implementing this type of cutback management strategy, there are three general characteristics of the urban environment that need special attention. First, it is important to realize the strong attraction to private sector solutions to problems because such solutions presumably ensure individual choice and freedom from outside regulation. Although many necessary public programs are built into urban governments, cutback oriented public organizations will find it helpful to emphasize the private sector nature and local orientation of some aspects of their enterprise. Second, it is important to realize the centrality of the urban manager's role in the organization. The manager makes the majority of decisions concerning actual service delivery and is most aware of the highly specialized technologies that are necessary to address complex urban problems. While community control of urban government is consistent with our democratic yearnings, it is not always compatible with the high technology task orientation of

contemporary urban programs. Community participantion can be encouraged and facilitated but will not replace the urban manager as the central figure in urban government. Third, urban organizations must operate in a certain style. Their activities ramify through the entire urban social system and are, in turn, affected by that system. Developing and implementing a cutback management plan has the effect of changing the entire social system. Consequently, the urban organization is well-served by formalized community participation in the cutback process. Such participation helps the organization remain open to new information and flexible enough to adapt to its changing urban environment.

Taken together, these characteristics suggest that an effective strategy for cutting back urban governments is one of cooperation and mutual adaptation between urban managers who understand the task-related imperatives of urban organizations and community members linked to the enormously complex social and institutional network of urban areas.

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